

Message Text

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 9511

C O N F I D E N T I A L MANILA 7078

E. O. 11652: GDS

TAGS: EAIR, RP

SUBJECT: CIVAIR: PHILIPPINE AIRLINES -BENNY TODA'S TROUBLES

1. A THREE-DAY EXPOSE IN THE TIMES JOURNAL OVER THE WEEKEND REPORTED PAL'S WRITEOFF OF 52 MILLION PESOS DUE FROM A "GHOST COMPANY" AND PAYMENTS OF 38 MILLION PPESOS IN FEES AND COMMISSIONS IN 1975 TO SIX COMPANIES WHICH PROVIDE MANAGERIAL AND OTHER SERVICES TO PAL. THESE SIX COMPANIES ARE 70 TO 90 PERCENT OWNED BY BENIGNO TODA, JR., PRESIDENT OF PAL AND MAJOR PAL STOCKHOLDER. THE EXPOSE WAS BASED ON AN AUDIT BY THE COMMISSION ON AUDIT (COA) WHICH RECOMMENDED THAT PHILCAB DENY PAL'S REQUEST FOR A 17.5 PERCENT INCREASE IN DOMESTIC FARES, AND THREATENED THAT THERE SHOULD BE A 5.11 PERCENT ROLLBACK OF THE 12.5 PERCENT PROVISIONAL FARE INCREASE GRANTED PAL LAST YEAR.

2. THE COA TEAM REPORTEDLY FOUND THAT PAL WROTE OFF 52 MILLION PESOS DUE FROM THE ALPHA MANUFACTURING COMPANY, WHOSE REGISTRATION WITH THE BUREAU OF DOMESTIC TRADE HAD EXPIRED IN 1959. ALPHA WAS OWNED BY A CERTAIN LIM HOK AND COMPANY, WHICH REGISTERED WITH THE SEC AS A MANUFACTURER OF READYMADE CLOTHES AND WHOSE REGISTRATION EXPIRED IN 1974.

3. THE SIX TODA-OWNED COMPANIES WHICH PROVIDE SERVICES TO
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PAL ARE BUBICON, INC., CIBELES INSURANCE CORP., STELLAR INDUSTRIAL SERVICES, INC., BENISON EQUIPMENT CORP., PAL SKY CLUB, AND AEROBEN LTD. RUBICON IS PAL'S GENERAL MANAGER; CIBELES THE INSURER; SKY CLUB THE CATERER; AEROBEN THE EXCLUSIVE PURCHASING AGENT OUTSIDE THE COUNTRY; WHILE STELLAR UNDERTAKES THE CLEARING AND MAINTENANCE OF ITS OFFICES; AND BENISON PROVIDES CAR AND LIMOUSINE SERVICES.

THE COA RECOMMENDED THAT RUBICON'S CONTRACT BE TERMINATED.

4. OF INTEREST IS THE REPORT THTAT IN 1971 CIBELES BOUGHT THE PAL BUILDING ON AYALA AVENUE IN MAKATI FOR 24 MILLION PESOS. PAYMENTS CONSISTED OF UNPAID INSURANCE PREMIUMS OF THE AIRLINE AMOUNTING TO 19 MILLION PESOS AND CASH OF 5 MILLION PESOS.

5. COMMENT: IT IS AN OPEN SECRET THAT TODA HAS BEEN MILKING PAL. PUBLICIZING OF AUDIT COMMISSION'S DIGGING INTO THE PAL SITUATION INDICATES SOME FUTURE MOVE AGAINST TODA, EITHER DIVESTING HIM OF HIS SHARES OF PAL OR GETTING HIM TO COUGH UP SOME OF THE COMMISSIONS. TODA REPORTEDLY CAME INTO DISFAVOR OF THE PALACE WHEN HE WAS "PERSUADED" BY PRESIDENT MARCOS TO PRESENT BILL FOR USE OF PAL AIRCRAFT BY THE PRESIDENT AND MADAME MARCOS. THIS WAS SHORTLY AFTER "HIS" AND "HER" PLANES TOOK THEM TO UNCTAD IV IN NAIROBI IN MAY 1976 VIA LONDON. PRESIDENT WAS REPORTEDLY SHOCKED OVER THE SIZE OF BILL, AND THOUGHT TODA WAS "UNGRATEFUL" TO HAVE REALLY PRESENTED BILL. TODA HAS NOW BEEN A PARIAH FOR A YEAR, UNINVITED AND AVOIDED ON THE SOCIAL CIRCUIT. STULL

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